

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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North Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Dave Stuart	President	2009
Gretchen Pargeon	Vice President	2009
Diane Panfil	Board Member	2007
Barb Kopriva	Board Member	2007
Richard Arp	Board Member	2008
John Hayek	Board Member	2008
Judy Robb	Board Member	2009

Board of Education
(After September 2007 Election)

Dave Stuart	President	2009
Gretchen Pargeon	Vice President	2009
Richard Arp	Board Member	2008
John Hayek	Board Member	2008
Judy Robb	Board Member	2009
Diane Panfil	Board Member	2010
Robert Young	Board Member	2010

School Officials

Tom McDermott	Superintendent	2008
Nancy Gee	District Secretary/ Business Manager (Resigned)	2008
Terrill Karr	District Secretary/ Treasurer (Appointed)	2008
Roan, Powell & Reinders	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
North Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District, Traer Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2009 on our consideration of North Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Tama County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Tama County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,534,065 in fiscal 2007 to \$4,839,580 in fiscal 2008, while General Fund expenditures also increased from \$4,469,241 in fiscal 2007 to \$4,688,408 in fiscal 2008. This resulted in an increase in the District's fund balance from \$437,034 in fiscal 2007 to \$588,206 in fiscal 2008, which was a 34.59% increase from the prior year.
- The largest factor in the increased revenue was the increase from local tax and state sources in fiscal 2008. The largest increase in expenditures was in the other instruction costs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of North Tama County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Tama County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Tama County Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

North Tama County Community School District Annual Financial Report

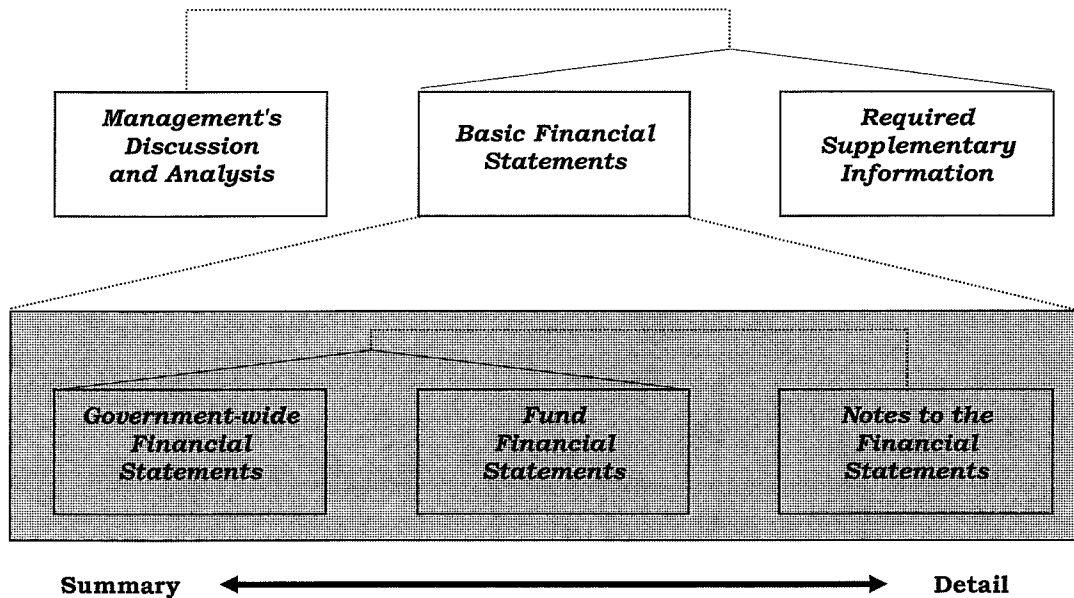


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund; Capital Projects; and the Special Revenue Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and other Enterprise Funds, which includes the Book Fair, JET and NT & S funds.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 3,355,760	2,978,994	\$ 33,411	39,599	\$ 3,389,171	3,018,593	12.28%
Capital assets	1,774,284	1,646,198	28,588	31,229	1,802,872	1,677,427	7.48%
Total assets	5,130,044	4,625,192	61,999	70,828	5,192,043	4,696,020	10.56%
Other liabilities	1,930,823	1,831,796	1,001	464	1,931,824	1,832,260	5.43%
Net assets:							
Invested in capital assets	1,774,284	1,646,198	28,588	31,229	1,802,872	1,677,427	7.48%
Restricted	712,209	636,557	0	0	712,209	636,557	11.88%
Unrestricted	712,728	510,641	32,410	39,135	745,138	549,776	35.53%
Total net assets	\$ 3,199,221	2,793,396	\$ 60,998	70,364	\$ 3,260,219	2,863,760	13.84%

The District's combined net assets increased by 13.84% or \$396,459 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 11.88% or \$75,652 over the prior year. The main reason for the increase in restricted net assets was the increase in the fund balance of the Capital Projects Fund.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 35.53% or \$195,362 from the prior year. The primary reason for the increase in unrestricted net assets was the increase in the fund balance of the General Fund.

Figure A-4 shows the changes in net assets at June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 504,424	626,789	\$ 151,665	156,065	656,089	782,854	-16.19%
Operating grants and contributions and restricted interest	630,163	563,674	85,948	81,313	716,111	644,987	11.03%
Capital grants and contributions and restricted interest	22,741	0	0	0	22,741	0	100.00%
General revenues:							
Property tax	1,790,326	1,667,291	0	0	1,790,326	1,667,291	7.38%
Income surtax	209,758	186,664	0	0	209,758	186,664	12.37%
Local option sales and service tax	190,533	320,922	0	0	190,533	320,922	-40.63%
Unrestricted state grants	2,121,281	1,933,620	0	0	2,121,281	1,933,620	9.71%
Other revenue	38,879	31,659	277	204	39,156	31,863	22.89%
Transfers	(1,276)	0	1,101	0	(175)	0	-100.00%
Total revenues and transfers	<u>5,506,829</u>	<u>5,330,619</u>	<u>238,991</u>	<u>237,582</u>	<u>5,745,820</u>	<u>5,568,201</u>	<u>3.19%</u>
Program expenses:							
Governmental activities:							
Instructional	3,230,869	3,123,651	0	0	3,230,869	3,123,651	3.43%
Support services	1,576,465	1,496,336	12,709	0	1,589,174	1,496,336	6.20%
Non-instructional programs	0	0	235,648	222,856	235,648	222,856	5.74%
Other expenses	293,670	390,038	0	0	293,670	390,038	-24.71%
Total expenses	<u>5,101,004</u>	<u>5,010,025</u>	<u>248,357</u>	<u>222,856</u>	<u>5,349,361</u>	<u>5,232,881</u>	<u>2.23%</u>
Change in net assets	405,825	320,594	(9,366)	14,726	396,459	335,320	18.23%
Net assets beginning of year	<u>2,793,396</u>	<u>2,472,802</u>	<u>70,364</u>	<u>55,638</u>	<u>2,863,760</u>	<u>2,528,440</u>	<u>13.26%</u>
Net assets end of year	<u>\$ 3,199,221</u>	<u>2,793,396</u>	<u>\$ 60,998</u>	<u>70,364</u>	<u>3,260,219</u>	<u>2,863,760</u>	<u>13.84%</u>

In fiscal 2008, property tax, income surtax, local option sales and service tax and unrestricted state grants accounted for 78.30% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.42% of the revenue from business type activities.

The District's total revenues were approximately \$5.75 million of which \$5.51 million was for governmental activities and \$.24 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.19% in revenues and a 2.23% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$5,506,829 and expenses were \$5,101,004.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,230,869	3,123,651	3.43%	2,323,039	2,152,556	7.92%
Support services	1,576,465	1,496,336	5.36%	1,535,087	1,454,067	5.57%
Other expenses	293,670	390,038	-24.71%	85,550	212,939	-59.82%
Totals	<u>\$ 5,101,004</u>	<u>5,010,025</u>	<u>1.82%</u>	<u>3,943,676</u>	<u>3,819,562</u>	<u>3.25%</u>

- A portion of the cost financed by users of the District's programs was \$504,424.
- The federal and state government subsidized certain programs with operating and capital grants and contributions totaling \$652,904.
- The net cost portion of governmental activities was financed with \$1,790,326 in property tax, \$209,758 in income surtax, \$190,533 in local option sales and service tax, \$2,121,281 in unrestricted state grants, and unrestricted investment earnings of \$16,306.

Business-Type Activities

The District's business-type activities are the School Nutrition Fund, and other Enterprise Funds. Revenues of the District's business-type activities totaled \$238,991 in 2008, which is an increase of 0.59% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 11.44% to \$248,357 for business-type activities in 2008; this was due to increased costs in both the School Nutrition Fund and the Other Enterprise Funds.

INDIVIDUAL FUND ANALYSIS

As previously noted, the North Tama County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$1,244,929; an increase of \$260,617, above last year's ending fund balances of \$984,312.

Governmental Fund Highlights

- The District's increase in the General Fund financial position is the result of many factors. The General Fund balance increased from \$437,034 in fiscal 2007 to \$588,206 in fiscal 2008. The District increased its General Fund revenues compared to the prior year.

-
- The Capital Projects Fund balance increased from \$260,664 in fiscal 2007 to \$432,926 in fiscal 2008. This was primarily due to the total revenues exceeding total expenditures during the year.
 - The Special Revenue-Physical Plant and Equipment Levy Fund balance decreased from \$184,620 in fiscal 2007 to \$109,121 in fiscal 2008. This was primarily due to a decrease in revenue and an increase in expenditures during the year.

Proprietary Fund Highlights

- School Nutrition Fund ending cash balance increased \$10,483 from previous year.
- The School Nutrition Fund balance increased from \$62,267 in fiscal 2007 to \$62,380 in fiscal 2008
- The Other Enterprise Funds balance decreased from \$8,097 in fiscal 2007 to a deficit \$1,382 in fiscal 2008. This was primarily due to an increase in expenses during the year.

BUDGETARY HIGHLIGHTS

The District's receipts were \$164,163 less than budgeted receipts. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,802,872, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$142,857.

The original cost of the District's capital assets was \$4,717,960. Governmental funds account for \$4,639,690, with the remainder of \$78,270 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$178,388 at June 30, 2008, compared to \$230,459 reported at June 30, 2007. This decrease resulted from the current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 116,414	116,414	\$ 0	0	\$ 116,414	116,414	0.00%
Buildings	1,325,166	1,134,627	0	0	1,325,166	1,134,627	16.79%
Improvements other than buildings	182,904	195,927	0	0	182,904	195,927	-6.65%
Machinery and equipment	149,800	199,230	28,588	31,229	178,388	230,459	-22.59%
Total	<u>\$ 1,774,284</u>	<u>1,646,198</u>	<u>\$ 28,588</u>	<u>31,229</u>	<u>\$ 1,802,872</u>	<u>1,677,427</u>	<u>7.48%</u>

Long-Term Debt

At year-end, the District had no long term debt outstanding.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- Maintaining enrollment will be extremely important for the District in their efforts to remain as a viable K-12 school district.
- Efforts to contain costs – especially in the area of health insurance – must be continued and expanded.
- The Physical Plant and Equipment Levy (PPEL) expired in 2005 and was replaced by the School Infrastructure Local Option (SILO) Sales tax which was approved in Tama County on February 24, 2004. The SILO Tax is projected to generate approximately \$200,000 per year for 10 years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terrill Karr, Business Manager, North Tama County Community School District, 605 Walnut Street, Traer, Iowa, 50675.

BASIC FINANCIAL STATEMENTS

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,054,729	22,564	1,077,293
Receivables:			
Property tax:			
Delinquent	28,119	0	28,119
Succeeding year	1,853,134	0	1,853,134
Income surtax	180,008	0	180,008
Interfund	(862)	117	(745)
Accounts	989	0	989
Due from other governments	239,643	0	239,643
Inventories	0	10,730	10,730
Capital assets, net of accumulated depreciation (Note 5)	1,774,284	28,588	1,802,872
Total Assets	5,130,044	61,999	5,192,043
Liabilities			
Accounts payable	76,354	0	76,354
Deferred revenue:			
Succeeding year property tax	1,853,134	0	1,853,134
Other	1,335	0	1,335
Unearned revenue	0	1,001	1,001
Total Liabilities	1,930,823	1,001	1,931,824
Net Assets			
Invested in capital assets	1,774,284	28,588	1,802,872
Restricted for:			
Additional teacher contract day	6	0	6
Professional development	9	0	9
Market factor	3,871	0	3,871
Market factor incentives	3,796	0	3,796
Talented and gifted	47,804	0	47,804
Physical plant and equipment levy	109,121	0	109,121
Capital projects	432,926	0	432,926
Management levy	36,559	0	36,559
Other special revenue purposes	78,117	0	78,117
Unrestricted	712,728	32,410	745,138
Total Net Assets	\$ 3,199,221	60,998	3,260,219

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,078,559	198,094	416,410	0	(1,464,055)	0	(1,464,055)
Special instruction	609,427	33,745	28,374	0	(547,308)	0	(547,308)
Other instruction	542,883	231,207	0	0	(311,676)	0	(311,676)
	3,230,869	463,046	444,784	0	(2,323,039)	0	(2,323,039)
Support services:							
Student services	185,259	0	0	0	(185,259)	0	(185,259)
Instructional staff services	157,692	0	0	0	(157,692)	0	(157,692)
Administration services	571,007	0	0	0	(571,007)	0	(571,007)
Operation and maintenance of plant services	362,172	0	0	0	(362,172)	0	(362,172)
Transportation services	300,335	41,378	0	0	(258,957)	0	(258,957)
	1,576,465	41,378	0	0	(1,535,087)	0	(1,535,087)
Other expenditures:							
Facilities acquisitions	51,981	0	0	22,741	(29,240)	0	(29,240)
AEA flowthrough	185,379	0	185,379	0	0	0	0
Depreciation(unallocated)*	56,310	0	0	0	(56,310)	0	(56,310)
	293,670	0	185,379	22,741	(85,550)	0	(85,550)
Total governmental activities	5,101,004	504,424	630,163	22,741	(3,943,676)	0	(3,943,676)
Business-Type activities:							
Support services:							
Administration services	8,100	0	0	0	0	(8,100)	(8,100)
Operation and maintenance of plant services	4,609	0	0	0	0	(4,609)	(4,609)
	12,709	0	0	0	0	(12,709)	(12,709)
Non-instructional programs:							
Nutrition services	206,388	131,922	85,948	0	0	11,482	11,482
Enterprise	29,260	19,743	0	0	0	(9,517)	(9,517)
	235,648	151,665	85,948	0	0	1,965	1,965
Total business-type activities	248,357	151,665	85,948	0	0	(10,744)	(10,744)
Total	\$ 5,349,361	656,089	716,111	22,741	(3,943,676)	(10,744)	(3,954,420)
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,739,359	0	1,739,359
Capital outlay					50,967	0	50,967
Income surtax					209,758	0	209,758
Local option sales and services tax					190,533	0	190,533
Unrestricted state grants					2,121,281	0	2,121,281
Unrestricted investment earnings					16,306	277	16,583
Other general revenues					22,573	0	22,573
Transfers					(1,276)	1,101	(175)
Total general revenues and transfers					4,349,501	1,378	4,350,879
Changes in net assets					405,825	(9,366)	396,459
Net assets beginning of year					2,793,396	70,364	2,863,760
Net assets end of year					\$ 3,199,221	60,998	3,260,219

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 474,700	364,862	215,167	1,054,729
Receivables:				
Property tax:				
Delinquent	26,691	0	1,428	28,119
Succeeding year	1,744,551	0	108,583	1,853,134
Income surtax	180,008	0	0	180,008
Interfund	47,699	0	13,020	60,719
Accounts	939	0	50	989
Due from other governments	90,322	149,321	0	239,643
Total Assets	\$ 2,564,910	514,183	338,248	3,417,341
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 10,081	47,699	3,801	61,581
Accounts payable	40,729	33,558	2,067	76,354
Deferred revenue:				
Succeeding year property tax	1,744,551	0	108,583	1,853,134
Income surtax	180,008	0	0	180,008
Other	1,335	0	0	1,335
Total liabilities	1,976,704	81,257	114,451	2,172,412
Fund balances:				
Reserved for:				
Additional teacher contract day	6	0	0	6
Professional development	9	0	0	9
Market factor	3,871	0	0	3,871
Market factor incentives	3,796	0	0	3,796
Talented and gifted	47,804	0	0	47,804
Unreserved	532,720	432,926	223,797	1,189,443
Total fund balances	588,206	432,926	223,797	1,244,929
Total Liabilities and Fund Balances	\$ 2,564,910	514,183	338,248	3,417,341

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 15) \$ 1,244,929

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds. 1,774,284

Accounts receivable income surtax, are not yet available
to finance expenditures of the current fiscal period. 180,008

Net assets of governmental activities (page 13) \$ 3,199,221

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,891,996	190,533	90,966	2,173,495
Tuition	208,240	0	0	208,240
Other	130,727	9,606	219,521	359,854
Intermediate sources	23,664	0	0	23,664
State sources	2,459,509	117,962	74	2,577,545
Federal sources	125,444	0	22,741	148,185
Total revenues	4,839,580	318,101	333,302	5,490,983
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,058,355	0	3,844	2,062,199
Special instruction	608,998	0	0	608,998
Other instruction	356,755	0	183,256	540,011
	3,024,108	0	187,100	3,211,208
Support services:				
Student services	185,259	0	0	185,259
Instructional staff services	146,603	0	0	146,603
Administration services	568,865	0	600	569,465
Operation and maintenance of plant services	314,598	0	55,576	370,174
Transportation services	261,596	0	14,700	276,296
	1,476,921	0	70,876	1,547,797
Other expenditures:				
Facilities acquisitions	0	145,839	139,968	285,807
AEA flowthrough	185,379	0	0	185,379
	185,379	145,839	139,968	471,186
Total expenditures	4,686,408	145,839	397,944	5,230,191
Excess (deficiency) of revenues over (under) expenditures	153,172	172,262	(64,642)	260,792
Other financing sources (uses):				
Transfers in	0	0	2,000	2,000
Transfers out	(2,000)	0	(175)	(2,175)
Total other financing sources (uses)	(2,000)	0	1,825	(175)
Net change in fund balances	151,172	172,262	(62,817)	260,617
Fund balance beginning of year	437,034	260,664	286,614	984,312
Fund balance end of year	\$ 588,206	432,926	223,797	1,244,929

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 260,617

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense during the year are as follows:

Capital outlays	\$ 266,100	
Depreciation expense	<u>(138,014)</u>	128,086

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

17,122

Changes in net assets of governmental activities (page 14) \$ 405,825

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	School Nutrition	Other Enterprise Funds	Total
Assets			
Cash and pooled investments	\$ 24,063	(1,499)	22,564
Interfund receivable	0	2,503	2,503
Inventories	10,730	0	10,730
Capital assets, net of accumulated depreciation (Note 5)	28,588	0	28,588
Total assets	63,381	1,004	64,385
Liabilities			
Interfund payable	0	2,386	2,386
Unearned revenue	1,001	0	1,001
Total liabilities	1,001	2,386	3,387
Net assets			
Invested in capital assets	28,588	0	28,588
Unrestricted	33,792	(1,382)	32,410
Total net assets	\$ 62,380	(1,382)	60,998

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition	Other Enterprise Funds	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 131,922	19,743	151,665
TOTAL OPERATING REVENUES	131,922	19,743	151,665
OPERATING EXPENSES:			
Support services:			
Administration:			
Salaries	6,310	0	6,310
Benefits	865	0	865
Supplies	925	0	925
	8,100	0	8,100
Operation and maintenance of plant services:			
Services	3,132	0	3,132
Supplies	1,477	0	1,477
	4,609	0	4,609
	12,709	0	12,709
Non-instructional programs:			
Salaries	67,387	4,176	71,563
Benefits	20,630	572	21,202
Services	0	8,210	8,210
Supplies	113,528	16,302	129,830
Depreciation	4,843	0	4,843
	206,388	29,260	235,648
TOTAL OPERATING EXPENSES	219,097	29,260	248,357
OPERATING LOSS	(87,175)	(9,517)	(96,692)
NON-OPERATING REVENUES:			
State sources	2,716	0	2,716
Federal sources	83,232	0	83,232
Interest income	239	38	277
TOTAL NON-OPERATING REVENUES	86,187	38	86,225
Loss before capital contributions	(988)	(9,479)	(10,467)
Capital contributions	1,101	0	1,101
Changes in net assets	113	(9,479)	(9,366)
Net assets beginning of year	62,267	8,097	70,364
Net assets end of year	\$ 62,380	(1,382)	60,998

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 139,629	0	139,629
Cash received from miscellaneous operating activities	973	19,743	20,716
Cash payments to employees for services	(95,192)	(4,748)	(99,940)
Cash payments to suppliers for goods or services	(103,691)	(24,512)	(128,203)
Net cash used in operating activities	(58,281)	(9,517)	(67,798)
Cash flows from non-capital financing activities:			
Interfunds	0	(117)	(117)
State grants received	2,716	0	2,716
Federal grants received	66,910	0	66,910
Net cash provided by (used in) non-capital financing activities	69,626	(117)	69,509
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,101)	0	(1,101)
Cash flows from investing activities:			
Interest on investments	239	38	277
Net increase(decrease) in cash and cash equivalents	10,483	(9,596)	887
Cash and cash equivalents at beginning of year	13,580	8,097	21,677
Cash and cash equivalents at end of year	\$ 24,063	(1,499)	22,564
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (87,175)	(9,517)	(96,692)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	16,322	0	16,322
Depreciation	4,843	0	4,843
Increase in inventories	(951)	0	(951)
Decrease in accounts receivable	8,143	0	8,143
Increase in unearned revenue	537	0	537
Net cash used in operating activities	\$ (58,281)	(9,517)	(67,798)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 24,063	(1,499)	22,564

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$16,322.

During the year ended June 30, 2008, the District received \$1,101 in capital contributions from the General Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarships</u>
Assets	
Interfund	<u>\$ 745</u>
Liabilities	<u>0</u>
Net Assets	
Restricted for scholarships	<u>\$ 745</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 1
Contributions	745
Total additions	746
Deductions:	
Instruction:	
Scholarships awarded	176
Income before other financing sources	570
Other financing sources:	
Transfer in	175
Change in net assets	745
Net assets beginning of year	0
Net assets end of year	\$ 745

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The North Tama County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Traer, Buckingham, Dinsdale and Clutier, Iowa, and the predominate agricultural territory in Tama county. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Tama County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The North Tama County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the district at year end. The Certificates of Deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates of deposit are stated at fair value.

At June 30, 2008, the District had investments in Certificates of Deposit maturing in over one year as follows:

	Fair Value
Certificates of Deposit	\$ 5,336

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 47,699
Special Revenue, Student Activity	General	5,075
Enterprise, Other	General	2,503
Special Revenue, Physical Plant and Equipment Levy	General	2,503
Special Revenue, Physical Plant and Equipment Levy	Special Revenue, Management Levy	3,555
Special Revenue, Student Activity	Special Revenue, Physical Plant and Equipment Levy	246
Special Revenue, Student Activity	Enterprise, Other	1,641
Private Purpose Trust	Enterprise, Other	745
Total		<u>\$ 63,967</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue, Student Activity	General	\$ 2,000
Private Purpose Trust	Expendable Trust	175
Total		<u>\$ 2,175</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 116,414	0	0	116,414
Total capital assets not being depreciated	116,414	0	0	116,414
Capital assets being depreciated:				
Buildings	2,699,484	233,826	0	2,933,310
Improvements other than buildings	375,160	0	0	375,160
Machinery and equipment	1,184,532	32,274	2,000	1,214,806
Total capital assets being depreciated	4,259,176	266,100	2,000	4,523,276
Less accumulated depreciation for:				
Buildings	1,564,857	43,287	0	1,608,144
Improvements other than buildings	179,233	13,023	0	192,256
Machinery and equipment	985,302	81,704	2,000	1,065,006
Total accumulated depreciation	2,729,392	138,014	2,000	2,865,406
Total capital assets being depreciated, net	1,529,784	128,086	0	1,657,870
Governmental activities capital assets, net	\$ 1,646,198	128,086	0	1,774,284
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 76,068	2,202	0	78,270
Less accumulated depreciation	44,839	4,843	0	49,682
Business-type activities capital assets, net	\$ 31,229	(2,641)	0	28,588

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 20,214
Special	429
Other	2,872
Support services:	
Instructional support services	15,956
Administration	1,542
Operation and maintenance plant assets	2,252
Transportation	38,439
	81,704
Unallocated depreciation	56,310
Total governmental activities depreciation expense	\$ 138,014
Business-type activities:	
Food services	\$ 4,843

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$158,097, \$142,070 and \$134,343, 3 respectively, equal to the required contributions for each year.

(7) Risk Management

North Tama County Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$185,379 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Deficit Fund Balance

The Other Enterprise Funds, had deficit unrestricted net assets of \$1,382, at June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,741,589	151,942	2,893,531	3,127,985	3,127,985	(234,454)
Intermediate sources	23,664	0	23,664	55,000	55,000	(31,336)
State sources	2,577,545	2,716	2,580,261	2,495,051	2,495,051	85,210
Federal sources	148,185	83,232	231,417	215,000	215,000	16,417
Total revenues:	5,490,983	237,890	5,728,873	5,893,036	5,893,036	(164,163)
Expenditures:						
Instruction	3,211,208	0	3,211,208	3,605,331	3,605,331	394,123
Support services	1,547,797	12,709	1,560,506	1,863,759	1,863,759	303,253
Non-instructional programs	0	235,648	235,648	307,323	307,323	71,675
Other expenditures	471,186	0	471,186	867,726	867,726	396,540
Total expenditures:	5,230,191	248,357	5,478,548	6,644,139	6,644,139	1,165,591
Excess(deficiency) of revenues over(under) expenditures	260,792	(10,467)	250,325	(751,103)	(751,103)	1,001,428
Other financing sources(uses), net	(175)	1,101	926	0	0	926
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	260,617	(9,366)	251,251	(751,103)	(751,103)	1,002,354
Balance beginning of year	984,312	70,364	1,054,676	851,407	851,407	203,269
Balance end of year	\$ 1,244,929	60,998	1,305,927	100,304	100,304	1,205,623

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
Assets				
Cash and pooled investments	\$ 39,486	73,172	102,509	215,167
Receivables:				
Property tax:				
Current year delinquent	628	0	800	1,428
Succeeding year	55,000	0	53,583	108,583
Interfund	0	6,962	6,058	13,020
Accounts	0	50	0	50
Total Assets	\$ 95,114	80,184	162,950	338,248
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 3,555	0	246	3,801
Accounts payable	0	2,067	0	2,067
Deferred revenue:				
Succeeding year property tax	55,000	0	53,583	108,583
Total Liabilities	58,555	2,067	53,829	114,451
Fund balances:				
Unreserved	36,559	78,117	109,121	223,797
Total Liabilities and Fund Balances	\$ 95,114	80,184	162,950	338,248

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue
REVENUES:					
Local sources:					
Local tax	\$ 39,999	0	50,967	0	90,966
Other	307	203,612	15,602	0	219,521
State sources	33	0	41	0	74
Federal sources	0	0	22,741	0	22,741
TOTAL REVENUES	40,339	203,612	89,351	0	333,302
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	3,844	0	0	0	3,844
Other instruction	0	183,256	0	0	183,256
Support services:					
Administration services	600	0	0	0	600
Operation and maintenance of plant services	27,297	1,397	26,882	0	55,576
Student transportation	14,700	0	0	0	14,700
Other expenditures:					
Facilities acquisitions	0	0	139,968	0	139,968
TOTAL EXPENDITURES	46,441	184,653	166,850	0	397,944
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(6,102)	18,959	(77,499)	0	(64,642)
OTHER FINANCING SOURCES(USES):					
Transfers in	0	0	2,000	0	2,000
Transfers out	0	0	0	(175)	(175)
Total other financing sources(uses)	0	0	2,000	(175)	1,825
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	(6,102)	18,959	(75,499)	(175)	(62,817)
FUND BALANCE BEGINNING OF YEAR	42,661	59,158	184,620	175	286,614
FUND BALANCE END OF YEAR	\$ 36,559	78,117	109,121	0	223,797

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Musical	\$ 581	3,716	4,997	(700)
Instrumental Activity	1,042	2,799	1,800	2,041
Music Boosters	3,313	15,570	14,269	4,614
Music Boosters Investment	3,089	5,336	0	8,425
Youth Basketball	934	0	834	100
Athletics	9,371	70,703	69,676	10,398
Baseball/Softball	340	23,633	18,695	5,278
Youth Baseball	1,413	3,976	2,302	3,087
Nationals	630	1,423	925	1,128
Uniforms	1,483	1,537	0	3,020
Booster Club	10,261	16,262	12,628	13,895
Cheerleaders	788	0	0	788
FCCLA	829	11,892	11,332	1,389
Ind Arts Club	69	0	292	(223)
National Honor Society	1,248	280	755	773
Spanish Club	2,035	309	312	2,032
Speech Club	786	477	1,034	229
Student Council	1,443	5,130	4,425	2,148
Memory Book	342	1,566	1,763	145
Yearbook	2,026	13,195	13,691	1,530
JH Student Council	941	4,276	4,208	1,009
Interest	38	507	0	545
North Tama Dance Squad	3,283	3,219	4,147	2,355
Elementary Drill Team	1,081	1,480	1,263	1,298
Swing Show	766	2,096	1,396	1,466
Redhawks Readers	1,357	332	423	1,266
Art Club	2,244	1,400	1,067	2,577
FFA	907	4,472	4,581	798
PTO	4,319	1,082	985	4,416
Resident Artist	84	0	344	(260)
Athletic Improvement	1,211	5	0	1,216
Class of 2007	245	0	245	0
Class of 2008	403	1,270	1,381	292
Class of 2009	0	5,429	4,783	646
Fund Balance SADD	256	240	0	496
Elementary Pop Machine	0	0	100	(100)
Total	\$ 59,158	203,612	184,653	78,117

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 OTHER ENTERPRISE FUNDS
 JUNE 30, 2008

	Book Fair	JET	NT & S	Other	Total
Assets					
Cash and pooled investments	\$ 812	(15)	1,844	(4,140)	(1,499)
Interfund	0	0	0	2,503	2,503
	812	(15)	1,844	(1,637)	1,004
Liabilities					
Interfund payable	0	0	0	2,386	2,386
Net assets					
Total net assets	\$ 812	(15)	1,844	(4,023)	(1,382)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 OTHER ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2008

	Book Fair	JET	NT & S	Other	Total
OPERATING REVENUE:					
Local sources:					
Charges for services	\$ 1,612	0	979	17,152	19,743
TOTAL OPERATING REVENUES	1,612	0	979	17,152	19,743
OPERATING EXPENSES:					
Instruction:					
Salaries	0	0	0	4,176	4,176
Benefits	0	0	0	572	572
Services	0	0	0	8,210	8,210
Supplies	999	15	678	14,610	16,302
TOTAL OPERATING EXPENSES	999	15	678	27,568	29,260
OPERATING INCOME (LOSS)	613	(15)	301	(10,416)	(9,517)
NON-OPERATING REVENUES:					
Interest income	10	0	11	17	38
TOTAL NON-OPERATING REVENUES	10	0	11	17	38
Change in net assets	623	(15)	312	(10,399)	(9,479)
Net assets beginning of year	189	0	1,532	6,376	8,097
Net assets end of year	\$ 812	(15)	1,844	(4,023)	(1,382)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 OTHER ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2008

	Book Fair	JET	NT & S	Other	Total
Cash flows from operating activities:					
Cash received from miscellaneous operating activities	\$ 1,612	0	979	17,152	19,743
Cash payments to employees for services	0	0	0	(4,748)	(4,748)
Cash payments to suppliers for goods or services	(999)	(15)	(678)	(22,820)	(24,512)
Net cash provided by(used in) operating activities	613	(15)	301	(10,416)	(9,517)
Cash flows from non-capital financing activities:					
Interfunds	0	0	0	(117)	(117)
Cash flows from investing activities:					
Interest on investments	10	0	11	17	38
Net increase(decrease) in cash and cash equivalents	623	(15)	312	(10,516)	(9,596)
Cash and cash equivalents at beginning of year	189	0	1,532	6,376	8,097
Cash and cash equivalents at end of year	\$ 812	(15)	1,844	(4,140)	(1,499)
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ 613	(15)	301	(10,416)	(9,517)
Net cash provided by(used in) operating activities	\$ 613	(15)	301	(10,416)	(9,517)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:					
Current assets:					
Cash and pooled investments	\$ 812	(15)	1,844	(4,140)	(1,499)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,173,495	2,132,698	2,051,963	1,930,361	1,853,955
Tuition	208,240	177,998	160,156	197,307	148,428
Other	359,854	480,450	349,277	372,176	285,966
Intermediate sources	23,664	29,821	44,889	0	0
State sources	2,577,545	2,320,017	2,092,833	1,923,128	1,733,213
Federal sources	148,185	147,456	108,421	138,940	103,148
Total	<u>\$ 5,490,983</u>	<u>5,288,440</u>	<u>4,807,539</u>	<u>4,561,912</u>	<u>4,124,710</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,062,199	2,263,131	2,069,180	1,976,410	1,602,992
Special instruction	608,998	542,850	509,009	556,548	369,907
Other instruction	540,011	292,642	332,365	135,386	450,074
Support services:					
Student services	185,259	177,968	187,172	136,781	134,248
Instructional staff services	146,603	146,551	167,755	81,459	121,762
Administration services	569,465	545,955	548,462	570,538	569,093
Operation and maintenance of plant services	370,174	318,741	332,797	315,180	286,537
Transportation services	276,296	255,552	287,371	231,975	295,949
Central services	0	0	0	0	871
Other expenditures:					
Facilities acquisitions	285,807	247,907	304,021	80,103	10,000
Long-term debt:					
Principal	0	0	42,000	135,500	127,500
Interest	0	0	1,858	10,553	18,206
AEA flow-through	185,379	177,099	160,424	146,689	147,606
Total	<u>\$ 5,230,191</u>	<u>4,968,396</u>	<u>4,942,414</u>	<u>4,377,122</u>	<u>4,134,745</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
North Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Tama County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of North Tama County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Tama County Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects North Tama County Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of North Tama County Community School District's financial statements that is more than inconsequential will not be prevented or detected by North Tama County Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by North Tama County Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Tama County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Tama County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit North Tama County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Tama County Community School District and other parties to whom North Tama County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Tama County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2009

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - A volunteer is currently counting all cash in money bags the day after ball games, fundraisers, etc.

The journalism teacher will be keeping a record of payments received for yearbook ads then the business manager will double check to make sure all payments have been deposited as needed. The journalism teacher will then make sure all ads are placed in the yearbook per specifications.

Secretaries and the business manager will start doing a better job of double-checking all receipts. Money is received by all three secretaries; all receipts will be initialed. Also, where the money goes (account) and the type of money received (cash, check) will be recorded on the receipts. All lunch deposits are recorded before being submitted to the business manager. Monies received for student registrations are all recorded by the superintendent secretary then double-checked by the business manager. For fundraisers, the business manager develops a list of checks deposited and is then double-checked by the superintendent secretary. With a limited staff, it is difficult to segregate all duties well at times.

Conclusion - Response accepted.

- I-B-08 Gate Admissions - It was noted that the District utilizes pre-numbered tickets for event admissions and a reconciliation is performed after the event. However, through discussion with personnel, it was discovered that tickets are torn off the roll after the event so that the number of tickets sold will match the money received. This procedure significantly weakens the intended controls of using the pre-numbered tickets.

Recommendation - The internal control of the District utilizing pre-numbered tickets is deteriorated by tearing off the number needed to reconcile to the cash collected. The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - Ticket takers will record the number of spectators on log sheets as they enter. Total spectator count will then be double-checked with the money received. All ticket takers will also count all receipts and record on the log sheet and sign it. The revenue will then be recounted by our office volunteer the following day.

Conclusion - Response accepted.

- I-C-08 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - The interest should be allocated among the Student Activity Funds that earned the interest. This allocation should be done at least annually. Interest earned should be distributed to individual accounts within the Student Activity Fund.

Response - The business manager will allocate interest earned to respective activity accounts annually at the end of each fiscal year.

Conclusion - Response accepted.

- I-D-08 Receipting Procedures - We noted that sponsors of student organizations were collecting from individuals, fundraising events and other revenue fees. The sponsor or designated individual collections, which subsequently are turned into the office for receipting, depositing and posting, do not appear to include documentation for later reconciliation uses. We noted that once collected at the office, these were handled in a comparable

manner as receipts directly delivered to the office, where receipts are given and deposited. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The District actually maintains multiple layers of receipting from sponsors to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts. Sponsors should turn the money in on a daily basis and count the funds before being turning it into the office. Also, the money should be counted by the office staff with the sponsor present in case of mistakes.

Response - All sponsors will count and record all money collected on newly created log sheets and submit those to the business manager with the money on a daily basis. This money will then be recounted by office staff.

Conclusion - Response accepted.

- I-E-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - Non-certified staff who is coaching for the District will document the number of student contact hours at the conclusion of the athletic season and submit that list to the business manager for checking with minimum wage requirements.

Conclusion - Response accepted.

- I-F-08 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The business manager and administrators will record specific line-item accounts per requirements for projects and grants.

Conclusion - Response accepted.

- I-G-08 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations.

Response - Cash balances will be checked on a timely basis by completing bank reconciliations on a monthly basis through the use of the District's computer software system. The business manager will receive training/mentoring from an area business manager.

Conclusion - Response accepted.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008 did not exceed the amount budgeted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gretchen Pargen, Board Member Part owner of AWE Auto Repair Service	Service Vehicle purchase	\$720 \$12,600
Judy Robb, Board Member	Substitute Teacher	\$1,762
Sharon Owens, Teacher Spouse(Jim) co-owner of Hawkeye Security/ Indiana Insurance Company	Service	\$46,441
Jay Owens, Sub-Bus Driver Co-owner of Hawkeye Security/ Indiana Insurance Company	Service	\$46,441
Josh Yovel, Teacher Spouse owner of Staker Furniture	Carpet and Blinds	\$8,283

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's teacher and sub-bus driver do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the family members of the District's employees do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Judy Robb and service transactions with Gretchen Pargen do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the vehicle purchase transaction with Gretchen Pargen appears to represent a conflict of interest.

Recommendation - The District should contact its legal counsel in regards to related party transactions with Gretchen Pargen.

Response - For all future purchases made through the school board member's business, formal bids will be obtained from other auto dealerships, per legal counsel. This school board member will also abstain from all votes that may be considered a conflict of interest.

Conclusion - Response accepted.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The fiscal 2009 Certified Annual Report will be submitted in a more timely manner next year.

Conclusion - Response accepted.

- II-J-08 Financial Condition - During our audit, we noted that the District had deficit unrestricted net assets of \$1,382 in the Other Enterprise Funds. The District also had four negative account balances in the Student Activity Fund totaling \$1,283.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - The District will monitor these funds more closely. The accuracy of which accounts checks are written out of will be more closely monitored to avoid having to transfer funds and make corrections at the end of the fiscal year.

Conclusion - Response accepted.